

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Goodar Township	County Ogemaw
Fiscal Year End March 31, 2006	Opinion Date June 23, 2006	Date Audit Report Submitted to State September 29, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>	None needed		
Other (Describe)	<input type="checkbox"/>	Not applicable		
Certified Public Accountant (Firm Name) Robertson & Carpenter CPAs, P.C.		Telephone Number 989-826-5442		
Street Address P.O. Box 308		City Mio	State MI	Zip 48647
Authorizing CPA Signature		Printed Name Robert J. Carpenter		License Number #1101008247

Goodar Township  
Ogemaw County, Michigan  
Financial Report  
With Supplemental Information  
March 31, 2006

Goodar Township

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Robert J. Carpenter, CPA  
Rodney C. Robertson, CPA

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### INDEPENDENT AUDITOR'S REPORT

Township Board  
Goodar Township  
Ogemaw County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Goodar Township as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Goodar Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Goodar Township as of March 31, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on page 2 through page 7 and pages 22-23 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Robertson & Carpenter CPAs, P.C.  
Certified Public Accountants  
June 23, 2006

## Management's Discussion and Analysis

As management of Goodar Township (the "Township"), we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2006.

### Financial Highlights

- The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$245,210 (*net assets*). Of this amount, \$64,873 (*unrestricted net assets*) may be used to meet the Township's ongoing obligations
- The Township's total net assets decreased by \$1,649.
- As of the close of the current fiscal year, the Township's general fund, reported an ending fund balance of \$58,356, an increase of \$6,773 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$58,356 or 67% percent of total general fund expenditures.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements consist of three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *Government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the Government-wide financial statements present functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Township include general government, public safety, public works, and culture and recreation. The Township does not have any business-type activities as of and for the year ended March 31, 2006.

The Government-wide financial statements can be found on pages 8-9 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the Government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the Government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains two governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General and Fire Funds.

The Township adopts an annual appropriated budget for its governmental funds. Budgetary comparison statements or schedules have been provided for the governmental funds herein to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 10-11 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are *not* reflected in the Government-wide financial statements because the resources of those funds are *not* available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 12-13 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14-21 of this report.

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Township, assets exceeded its liabilities by \$245,210 at the close of the most recent fiscal year.

A portion of the Township's net assets (74%) reflects its investment in capital assets (e.g., land, land improvements, buildings, and equipment); less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to the community; consequently, these assets are *not* available for future spending.

### **Township's Net Assets**

	<b>Governmental</b>	<b>Activities</b>
	<b>March 31, 2006</b>	<b>March 31, 2005</b>
Current and Other Assets	65,020	57,925
Capital Assets, Net	242,698	266,062
<b>Total Assets</b>	<b>307,718</b>	<b>323,987</b>
Current Liabilities	147	769
Long Term Liabilities	62,361	76,359
<b>Total Liabilities</b>	<b>62,508</b>	<b>77,128</b>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	180,337	189,703
Unrestricted	64,873	57,156
<b>Total Net Assets</b>	<b>245,210</b>	<b>246,859</b>

The Township's net assets decreased by \$1,649 during the current fiscal year. Unrestricted net assets—the part of net assets that can be used to finance day to day operations, increased by \$7,717 or 14%, during fiscal year 2006.

### Township's Changes in Net Assets

	<u>Governmental</u> March 31, 2006	<u>Activities</u> March 31, 2005
<b>Revenue:</b>		
Program Revenue:		
Charges for services	21,606	18,838
Operating Grants and Contributions	6,616	82,559
General Revenue:		
Property Taxes	66,324	63,322
State-Shared Revenues	34,148	33,838
Interest Earnings	490	437
Other	7,685	15,935
<b>Total Revenue</b>	<b>136,869</b>	<b>214,929</b>
<b>Expenses:</b>		
General Government	74,990	68,807
Public Safety	45,905	33,902
Public Works	13,302	12,017
Culture and Recreation	394	380
Interest on Long Term Debt	3,927	4,054
<b>Total Expenses</b>	<b>138,518</b>	<b>119,160</b>
<b>Increase in Net Assets</b>	<b>(1,649)</b>	<b>95,769</b>
Net Assets, Beginning of Year	246,859	151,090
<b>Net Assets, End of Year</b>	<b>245,210</b>	<b>246,859</b>

**Governmental activities.** The Township's total governmental revenues decreased by \$78,060 from last fiscal year. This was primarily attributed to less revenue from grants. Expenses increased by \$19,358. The increase was primarily due to increased general government and public safety expenses.

### Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$89,112, an increase of \$7,717 in comparison with the prior year. The *undesignated fund balance*, which is available for spending at the Township's discretion, constitutes 100% of this total amount or \$89,112.

The primary governmental fund is the General Fund of the Township. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 67% and total fund balance represents 67% of total general fund expenditures.

The fund balance of the General Fund increased by \$6,773 during the current fiscal year.

The Fire Fund levied .9749 mills of property tax for fire protection and .4831 mills of property tax for the purchase of fire equipment for the year ending March 31, 2006. The property tax generated \$21,540 of revenue for fire protection and \$10,674 of revenue for the purchase of fire equipment.

### **Governmental Funds Budgetary Highlights**

The Township's budgets are prepared in accordance with Michigan Law. The budgeted funds are the General and Fire Funds. Each of the budgeted funds was amended during the year.

### **Capital Asset and Debt Administration**

**Capital assets.** The Township's investment in capital assets for its governmental activities as of March 31, 2006, amounted to \$242,698 (net of accumulated depreciation). Investment in capital assets includes land, land improvements, buildings, and equipment. Additions totaled \$-0- for the fiscal year.

#### **Township's Capital Assets** (net of depreciation)

	<u>March 31, 2006</u>	<u>March 31, 2005</u>
Land	10,000	10,000
Land Improvements	12,028	12,908
Buildings	51,461	54,057
Equipment	1,055	1,407
Equipment – Fire Department	<u>168,154</u>	<u>187,690</u>
<b>Total</b>	<b><u>242,698</u></b>	<b><u>266,062</u></b>

Additional information on the Township's capital assets can be found in note 5 on page 19 of this report.

## **Long Term Debt**

Long term debt consists of three items as of March 31, 2006: (1) Installment loan for the purchase of a fire tanker truck – balance due \$54,808 – final payment due December 20, 2011, (2) Installment loan for the purchase and installation of a new furnace – balance due \$5,053 – final payment due June 30, 2008, (3) Installment loan for the purchase of a used pumper fire truck – balance due - \$2,500 – final payment due May 28, 2006. The total of all 3 loans is \$62,361.

## **Factors Bearing on the Township's Future**

The following factors were considered in preparing the Township's budget for the 2006-2007 fiscal year:

- The Township is anticipating a State grant in the General fund in the amount of \$42,121, an increase in State Revenue Sharing and an increase in trash collection fees. General Fund expenses have been increased in Public Works, both for road work (\$40,152) and trash collection (\$10,000) for capital improvements. The Township will have some reassessing of property completed so additional expense has been included in the budget as well as other inflation related increases. The Fire Fund anticipates receiving a Federal grant in the amount of \$32,300 as well as an increase in service fees for fire runs. The Fire Fund expenses have been increased for additional capital outlay of \$31,500 and mileage and travel along with inflationary increases. Our budgets were prepared with these factors in mind and will need to be revised as needed.

## **Requests for Information**

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Goodar Township  
6473 County Line Road  
South Branch, Michigan 48761

## **Basic Financial Statements**

Goodar Township  
Statement of Net Assets  
March 31, 2006

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents (Note 3)	\$ 18,425
Receivables: (Note 4)	
Other	370
Intergovernmental	13,953
Due from Fiduciary Fund	32,272
Capital assets-net (Note 5)	<u>242,698</u>
Total assets	<u>307,718</u>
 <b>Liabilities</b>	
Current Liabilities:	
Accounts payable	147
Noncurrent liabilities (Note 9):	
Due within one year	12,003
Due in more than one year	<u>50,358</u>
Total liabilities	<u>62,508</u>
 <b>Net Assets</b>	
Invested in capital assets, net of related debt	180,337
Unrestricted	<u>64,873</u>
Total net assets	<u>\$ 245,210</u>

See accompanying notes to financial statements.

Goodar Township  
Statement of Activities  
Year Ended March 31, 2006

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Assets
Governmental Activities				
General government	\$ 74,990	\$ 9,539	\$ 6,616	\$ (58,835)
Public safety	45,905	8,600	-	(37,305)
Public works	13,302	3,467	-	(9,835)
Culture and recreation	394	-	-	(394)
Interest on long term debt	3,927	-	-	(3,927)
Total governmental activities	<u>\$ 138,518</u>	<u>\$ 21,606</u>	<u>\$ 6,616</u>	<u>(110,296)</u>
<b>General Revenues:</b>				
Property taxes - operating				34,110
Property taxes - fire				32,214
State-shared revenues				34,148
Interest and investment earnings				490
Other				<u>7,685</u>
Total general revenues				<u>108,647</u>
<b>Change in Net Assets</b>				<u>(1,649)</u>
<b>Net assets</b> - beginning of year				<u>246,859</u>
<b>Net assets</b> - end of year				<u><u>\$ 245,210</u></u>

**Amounts reported for governmental activities are different because:**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$ 7,717
Government funds report capital outlays as expenditures; in the statement of activities these costs are allocated over their estimated useful lives as depreciation.	
Depreciation expense	\$ (23,364)
Capital outlay	<u>-</u>
	(23,364)
Repayments of installment loan payable principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long term debt)	<u>13,998</u>
<b>Change in Net Assets of Governmental Activities</b>	<u><u>\$ (1,649)</u></u>

See accompanying notes to financial statements.

Goodar Township  
Governmental Funds  
Balance Sheet  
March 31, 2006

	General Fund	Fire Fund	Total Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 16,008	\$ 2,417	\$ 18,425
Accounts receivable	370	-	370
Property taxes receivable	-	-	-
Due from other funds	32,272	28,113	60,385
Due from other governmental units	9,853	4,100	13,953
Total assets	<u>\$ 58,503</u>	<u>\$ 34,630</u>	<u>\$ 93,133</u>
<b>Liabilities</b>			
Accounts payable	\$ 147	\$ -	\$ 147
Due to other funds	-	3,874	3,874
Due to other governments	-	-	-
Deferred revenue	-	-	-
Total liabilities	<u>147</u>	<u>3,874</u>	<u>4,021</u>
<b>Fund balances</b>			
Unreserved:			
Undesignated:			
General Fund	58,356	-	58,356
Fire Fund	-	30,756	30,756
Total fund balances	<u>58,356</u>	<u>30,756</u>	<u>89,112</u>
Total liabilities and fund balances	<u>\$ 58,503</u>	<u>\$ 34,630</u>	<u>\$ 93,133</u>

**Amounts reported for governmental activities in the statement of net assets are different because:**

<b>Fund Balances - Total Governmental Funds</b>	<b>\$ 89,112</b>
Elimination of due to and due from governmental funds	
Due to	3,874
Due from	(28,113)
Capital assets used in governmental activities are not financial financial resources, and are not reported in the funds.	
The cost of capital assets is	398,093
Accumulated depreciation is	(155,395)
Long term liabilities are not due and payable in the current period and are not reported in the governmental funds	
Installment loans	(62,361)
<b>Net Assets of Governmental Activities</b>	<b><u>\$ 245,210</u></b>

See accompanying notes to financial statements.

Goodar Township  
Governmental Funds  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Year Ended March 31, 2006

	General Fund	Fire Fund	Total Governmental Funds
<b>Revenues</b>			
Taxes and fees	\$ 34,110	\$ 32,214	\$ 66,324
Federal grants	6,616	-	6,616
State grants	34,148	-	34,148
Charges for services	12,906	8,600	21,506
Interest and rentals	487	103	590
Other revenue	5,196	2,489	7,685
Total revenues	<u>93,463</u>	<u>43,406</u>	<u>136,869</u>
<b>Expenditures</b>			
Current:			
General government	71,162	-	71,162
Public safety	-	26,369	26,369
Public works	13,302	-	13,302
Culture and recreation	394	-	394
Capital outlay	-	-	-
Debt service	1,832	16,093	17,925
Total expenditures	<u>86,690</u>	<u>42,462</u>	<u>129,152</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	6,773	944	7,717
<b>Other Financing Sources (Uses)</b>			
Operating transfers in	-	-	-
Operating transfers (out)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	6,773	944	7,717
<b>Fund balance - April 1, 2005</b>	<u>51,583</u>	<u>29,812</u>	<u>81,395</u>
<b>Fund balance - March 31, 2006</b>	<u><u>\$ 58,356</u></u>	<u><u>\$ 30,756</u></u>	<u><u>\$ 89,112</u></u>

See accompanying notes to financial statements.

Goodar Township  
Fiduciary Funds  
Statement of Net Assets  
March 31, 2006

	Trust Fund- Pension Fund	Agency Fund Type (Property Tax Collection Fund)
<b>Assets</b>		
Cash	\$ -	\$ 56,517
Investments - at fair value	11,852	-
Due from other funds	-	-
	<u>11,852</u>	<u>-</u>
Total assets	\$ <u>11,852</u>	\$ <u>56,517</u>
<b>Liabilities</b>		
Accounts payable	\$ -	\$ -
Due to other funds	-	56,511
Due to other governments	-	-
Due to individuals	-	6
	<u>-</u>	<u>6</u>
Total liabilities	<u>-</u>	\$ <u>56,517</u>
<b>Net Assets - Held in Trust for Pension Benefits</b>	\$ <u>11,852</u>	

See accompanying notes to financial statements.

Goodar Township  
Fiduciary Fund  
Statement of Changes in Net Assets  
Year Ended March 31, 2006

	Trust Fund- Pension Fund
<b>Additions</b>	
Contributions	
Employer	\$ 550
Employee	370
Investment earnings	<u>394</u>
Total Additions	1,314
 <b>Deductions</b>	
Administrative expenses	180
Benefits	<u>-</u>
Total deductions	<u>180</u>
 <b>Net increase</b>	1,134
 <b>Net Assets Held in Trust for Pension Benefits</b>	
Beginning of the year	<u>10,718</u>
End of the year	\$ <u><u>11,852</u></u>

See accompanying notes to financial statements.

Goodar Township  
Notes to Financial Statements  
March 31, 2006

**Note 1 - Summary of Significant Accounting Policies**

The accounting policies of Goodar Township ("the Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the more significant policies used by the Township:

**Reporting Entity**

The Township is governed by an elected five member Township Board. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Township's reporting entity, and which organizations are legally separate, component units of the Township. Based on the application criteria, the Township does not contain any component units.

**Government-wide and Fund Financial Statements**

The Government-side financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities. The Township does not have any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a certain function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Note 1 - Summary of Significant Accounting Policies (Continued)**

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Property taxes, state-shared revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when the cash is received by the Township.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund.

The Fire Fund is used to record property tax revenue, Federal and State grants restricted for providing fire protection services and purchasing fire equipment.

Additionally, the Township reports the following funds:

The Tax Collection Fund accounts for property taxes collected and disbursed to other taxing authorities by the Township as required by law.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers for goods, services or privileges provided and (2) operating grants and contributions. General revenue includes all taxes.

**Assets, Liabilities, and Net Assets or Equity**

**Bank Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Goodar Township  
Notes to Financial Statements  
March 31, 2006

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between fund that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The taxpayers of the Township have their properties assessed as of December 31 and the related property taxes are levied and become a lien on December 1 for 100% of the taxes which are due February 28. The 2005 taxable value of the Township was \$52,753,934. The 2005 tax levy was 1.1986 mills for general operations raising \$26,489 for general operating purposes, .9749 mills for fire protection raising \$21,540 for fire protection purposes and .4831 for purchase of fire equipment raising \$10,674 for that purpose.

**Capital Assets** - Capital assets, which include land, buildings, equipment, and infrastructure assets (e.g., amounts paid to the Road Commission for the intangible right to use the roads), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation. Infrastructure assets acquired prior to implementation of GASB 34 are not included in the financial statements.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Infrastructure	20 years
Land Improvements	20 years
Buildings and additions	20-50 years
Equipment	5-20 years

**Compensated Absences** - There is no liability for compensated absences reported in the government-wide financial statements since no township employees are provided with sick or vacation pay benefits.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriating or are legally restricted by outside parties for use for a specific purpose. The Township did not have a reserved fund balance at March 31, 2006. Designations of fund balance represent tentative management plans that are subject to change. The Township did not have a designated fund balance at March 31, 2006.

Goodar Township  
Notes to Financial Statements  
March 31, 2006

**Note 1 - Summary of Significant Accounting Policies (Continued)**

Comparative Data/Reclassifications - Comparative data is not included in the Township's financial statements.

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted account principles and state laws for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Township adopt its budgets by April 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits Townships to amend its budget during the year.

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until the receipt of materials or services. For budgetary purposes, appropriations lapse at fiscal year end and outstanding encumbrances are reappropriated in the next year.

**Note 2 - Stewardship, Compliance and Accountability**

**Excess of expenditures over appropriations in budgeted funds:**

The Township incurred expenditures in excess of amounts budgeted as follows:

<u>Fund and Function</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
General:			
General Government:			
Township Board	\$ 20,345	\$ 21,342	\$ 997
Treasurer	11,375	11,469	94
Debt Service	-	1,832	1,832
Fire:			
Debt Service	-	16,093	16,093

Goodar Township  
Notes to Financial Statements  
March 31, 2006

**Note 3 - Deposits and Investments**

Michigan Compiled Laws, Section 129.91 authorizes the Township to make deposits and investments in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Township is also allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investments in accordance with State statutory authority as listed above.

Goodar Township's deposits and investment policy are in accordance with statutory authority.

At year-end, Goodar Township's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Township Total
Cash and cash equivalents	\$ 18,425	\$ 56,517	\$ 74,942
Investments	-	-	-
Total	\$ <u>18,425</u>	\$ <u>56,517</u>	\$ <u>74,942</u>

The cash and cash equivalents include petty cash of \$200.

The breakdown between deposits and investments for the Township is as follows:

Deposits (checking and savings)	\$ 74,742
Investments	-
Total	\$ <u>74,742</u>

The deposits of the Township were reflected in the accounts of one financial institution, of which \$74,742 is covered by federal depository insurance.

Goodar Township  
Notes to Financial Statements  
March 31, 2006

**Note 4 - Receivables**

Receivables as of year-end for the Township's major funds, non-major funds and fiduciary funds in the aggregate including applicable allowances of uncollectible accounts are as follows:

	General Fund	Fire Fund	Tax Coll. Fund	Total
Receivables:				
Other	\$ 370	\$ -	\$ -	\$ 370
Property taxes	-	-	-	-
Intergovernmental	9,853	4,100	-	13,953
	<u>\$ 10,223</u>	<u>\$ 4,100</u>	<u>\$ -</u>	<u>\$ 14,323</u>

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the Township did not have any deferred revenue.

**Note 5 - Capital Assets**

Capital assets activity of the Township's Governmental activities were as follows:

	Balance April 1, 2005	Additions	Deletions	Balance March 31, 2006
Capital assets not being depreciated:				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Capital assets being depreciated:				
Land improvements	17,607	-	-	17,607
Buildings	89,263	-	-	89,263
Equipment	6,349	-	-	6,349
Equipment - fire department	274,874	-	-	274,874
Subtotal	<u>388,093</u>	<u>-</u>	<u>-</u>	<u>388,093</u>
Accumulated Depreciation				
Land improvements	4,699	880	-	5,579
Buildings	35,206	2,596	-	37,802
Equipment	4,942	352	-	5,294
Equipment - fire department	87,184	19,536	-	106,720
Subtotal	<u>132,031</u>	<u>23,364</u>	<u>-</u>	<u>155,395</u>
Net capital assets being depreciated	<u>256,062</u>	<u>(23,364)</u>	<u>-</u>	<u>232,698</u>
Governmental Activities				
Total Capital Assets net of Depreciation	<u>\$ 266,062</u>	<u>\$ (23,364)</u>	<u>\$ -</u>	<u>\$ 242,698</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 3,828
Public safety	19,536
Total governmental activities	<u>\$ 23,364</u>

Goodar Township  
Notes to Financial Statements  
March 31, 2006

**Note 6 - Receivables, Payables and Transfers**

The composition of interfund balances is as follows:

<u>Receivable Fund</u>		<u>Payable Fund</u>		<u>Amount</u>
General Fund	\$ 28,398	Fiduciary Fund	\$	56,511
Fire Fund	28,113			
Total	\$ <u>56,511</u>	Total	\$	<u>56,511</u>
<u>Transfers In</u>	None	<u>Transfers Out</u>	None	

**Note 7 - Risk Management**

Goodar Township is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased from independent insurance companies. Settled claims from these risks have not exceeded insurance coverage for the last three years.

**Note 8 - Pension Plan**

Goodar Township provides pension benefits for the Township Board through a defined contribution plan. The plan is administered by Municipal Retirement Systems Inc. which invests the Township's contributions with Travelers Insurance Company. The investments consist of individual retirement annuities and totaled \$11,852 as of March 31, 2006.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participant's benefits that may be allocated to such participant's account.

The plan requires the Township to contribute 5.0% of the participant's earnings and requires the participant to contribute a matching 5.0%. The Township's contributions for each participant are fully vested when paid to the plan. A participant that leaves the employment of the Township is entitled to the balance in his individual annuity account.

The Township's total payroll for the year ended March 31, 2006 was approximately \$33,803. The payroll of the eligible participants was \$11,000; the Township made the required contribution of \$550. The administrative fee of \$180 was paid in addition to the required contribution.

No pension provision changes occurred during the year affected the required contributions to be made by the Township.

The plan held no securities of the Township or other related parties during the year or as of the close of the fiscal year.

Goodar Township  
Notes to Financial Statements  
March 31, 2006

**Note 9 - Long Term Debt**

The general obligation long term debt consists of the following items:

<u>DESCRIPTION</u>	<u>PURPOSE</u>		<u>INTEREST RATE</u>	<u>BALANCE DUE 3/31/06</u>
Installment loan payable to Old National Bank Leasing	Purchase of fire tanker truck	Original amount - \$82,231 Annual payments (10) \$11,094 of principal and interest commencing December 20, 2002 and concluding December 20, 2011	5.85%	\$ 54,808
Installment loan payable to Independent Bank	Purchase and installation of new furnace	Original amount - \$6,600 Annual payments (4) \$1,832 of principal and interest commencing June 30, 2005 and concluding June 30, 2008	4.25%	5,053
Installment loan payable to Lupton Fire Department	Purchase of used pumper fire truck	Original amount - \$12,500 Annual payments (3) commencing May 28, 2004 and concluding May 28, 2006	None	2,500
				<u>\$ 62,361</u>

Changes in long term debt during the year ended March 31, 2006 are as follows:

Installment loans payable - April 1, 2005	\$ 79,359
New borrowing	-
Principal paid	(13,998)
Installment loans payable - March 31, 2006	<u>\$ 65,361</u>

Total payments due in future years are shown below:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
March 31, 2007	\$ 12,003	\$ 3,422	\$ 15,425
March 31, 2008	10,034	2,891	12,925
March 31, 2009	10,588	2,331	12,919
March 31, 2010	9,354	1,740	11,094
March 31, 2011	9,901	1,192	11,093
March 31, 2012	10,481	513	10,994
Totals	<u>\$ 62,361</u>	<u>\$ 12,089</u>	<u>\$ 74,450</u>

## **Required Supplemental Information**

Goodar Township  
Budgetary Comparison Schedule - General Fund  
Year Ended March 31, 2006

	Budgeted Amounts		Actual	Variance with
	3/31/06	3/31/06	Amounts	Final Budget
	Original	Final	Budgetary	Over (Under)
			Basis	
<b>Fund Balance - Beginning of year</b>	\$ 41,252	\$ 41,252	\$ 51,583	\$ 10,331
<b>Resources (Inflows)</b>				
Taxes and fees	37,941	37,941	34,110	(3,831)
Federal grants	-	-	6,616	6,616
State grants	29,000	29,000	34,148	5,148
Charges for services	7,500	7,500	12,906	5,406
Interest and rentals	700	700	487	(213)
Other	2,210	2,210	5,196	2,986
Amounts available for appropriation	<u>118,603</u>	<u>118,603</u>	<u>145,046</u>	<u>26,443</u>
<b>Charges to Appropriations (Outflows)</b>				
General government	75,458	75,058	71,162	(3,896)
Public works	14,470	14,870	13,302	(1,568)
Culture and recreation	450	450	394	(56)
Capital outlay	-	-	-	-
Debt service	-	-	1,832	1,832
Total charges to appropriations	<u>90,378</u>	<u>90,378</u>	<u>86,690</u>	<u>(3,688)</u>
<b>Other Financing Sources (Uses)</b>				
Operating transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - end of year</b>	<u>\$ 28,225</u>	<u>\$ 28,225</u>	<u>\$ 58,356</u>	<u>\$ 30,131</u>

Goodar Township  
Budgetary Comparison Schedule - Fire Fund  
Year Ended March 31, 2006

	Budgeted Amounts		Actual	Variance with
	3/31/06	3/31/06	Amounts	Final Budget
	Original	Final	Budgetary	Over (Under)
			Basis	
<b>Fund Balance - Beginning of year</b>	\$ 26,855	\$ 26,855	\$ 29,812	\$ 2,957
<b>Resources (Inflows)</b>				
Taxes and fees	30,772	30,772	32,214	1,442
Federal grants	-	-	-	-
State grants	-	-	-	-
Charges for services	13,000	14,300	8,600	(5,700)
Interest and rentals	150	150	103	(47)
Other	2,000	2,000	2,489	489
Amounts available for appropriation	<u>72,777</u>	<u>74,077</u>	<u>73,218</u>	<u>(859)</u>
<b>Charges to Appropriations (Outflows)</b>				
Public safety	25,187	26,487	26,369	(118)
Capital outlay	16,000	16,000	-	(16,000)
Debt service	-	-	16,093	16,093
Total charges to appropriations	<u>41,187</u>	<u>42,487</u>	<u>42,462</u>	<u>(25)</u>
<b>Fund Balance - end of year</b>	\$ <u>31,590</u>	\$ <u>31,590</u>	\$ <u>30,756</u>	\$ <u>(834)</u>

## **Supplemental Information**

Goodar Township  
General Fund  
Detail of Revenues - Budget and Actual  
Year Ended March 31, 2006

	Budget as Amended	Actual	Variance Favorable (Unfavorable)
TAXES:			
Property taxes	\$ -	\$ 26,489	\$ -
Property tax administration fee	-	7,621	-
TOTAL TAXES	37,941	34,110	(3,831)
FEDERAL GRANTS:			
Payments in lieu	-	6,616	6,616
STATE GRANTS:			
State shared revenue	-	33,697	-
Swamp tax	-	451	-
TOTAL STATE GRANTS	29,000	34,148	5,148
CHARGES FOR SERVICES:			
Burials	-	4,750	-
Dog license fees	-	4	-
Summer tax collection	-	2,135	-
Transfer site fees	-	3,467	-
Cemetery lots	-	2,550	-
TOTAL CHARGES FOR SERVICES	7,500	12,906	5,406
INTEREST AND RENTALS:			
Interest	-	387	-
Hall rent	-	100	-
TOTAL INTEREST AND RENTALS	700	487	(213)
OTHER REVENUE			
Miscellaneous	2,210	5,196	2,986
OTHER FINANCING SOURCES			
Operating transfers in	-	-	-
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 77,351	\$ 93,463	\$ 16,112

Goodar Township  
General Fund  
Detail of Expenditures - Budget and Actual  
Year Ended March 31, 2006

	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
GENERAL GOVERNMENT:			
Township Board:			
Trustees salaries		\$ 2,000	
Memberships & dues		417	
Printing & publishing		782	
Travel		281	
Legal & accounting		975	
Miscellaneous		901	
Insurance		7,386	
Retirement expense		653	
Payroll taxes		1,781	
Education		653	
Supplies		699	
Telephone		1,094	
Services		3,720	
		<u>3,720</u>	
Total	\$ 20,345	21,342	\$ (997)
Supervisor:			
Salary		5,000	
Supplies		36	
Education		224	
Travel		720	
Miscellaneous		234	
		<u>234</u>	
Total	6,217	6,214	3
Elections:			
Wages		950	
Travel		47	
Miscellaneous		24	
		<u>24</u>	
Total	2,140	1,021	1,119
Assessor:			
Contracted services		5,770	
Supplies		390	
Miscellaneous		-	
		<u>-</u>	
Total	6,200	6,160	40

Goodar Township  
General Fund  
Detail of Expenditures - Budget and Actual  
Year Ended March 31, 2006

	Budget as Amended	Actual	Variance Favorable (Unfavorable)
GENERAL GOVERNMENT (Continued)			
Clerk:			
Salary - clerk		\$ 5,400	
Salary - deputy clerk		1,000	
Wages - clerk school elections		340	
Office supplies		156	
Postage		118	
Contracted services		1,089	
Education		199	
Travel		427	
Miscellaneous		336	
Total	\$ 10,215	9,065	\$ 1,150
Board of Review:			
Wages		724	
Education		240	
Printing, publishing & supplies		41	
Miscellaneous		-	
Total	1,206	1,005	201
Treasurer:			
Salary - treasurer		5,400	
Salary - deputy treasurer		1,000	
Salary - summer tax collection		2,135	
Office supplies		199	
Postage		431	
Contracted services		479	
Education		199	
Travel		1,263	
Miscellaneous		363	
Total	11,375	11,469	(94)
Township Hall:			
Custodian wages		409	
Supplies		86	
Gasoline		40	
Plowing & mowing		670	
Electricity		1,543	
Heating		3,705	
Maintenance - building		720	
Maintenance - equipment		38	
Miscellaneous		75	
Total	9,745	7,286	2,459

Goodar Township  
General Fund  
Detail of Expenditures - Budget and Actual  
Year Ended March 31, 2006

	Budget as Amended	Actual	Variance Favorable (Unfavorable)
GENERAL GOVERNMENT (Continued)			
Cemetery:			
Wages - sexton		\$ 2,664	
Wages - burials		3,750	
Plowing & mowing		935	
Miscellaneous		251	
Total	\$ 7,615	7,600	\$ 15
TOTAL GENERAL GOVERNMENT	75,058	71,162	3,896
PUBLIC WORKS:			
Roads	4,500	3,387	1,113
Street Lighting	1,500	1,085	415
Sanitation:			
Wages		2,651	
Contracted services		4,910	
Plowing & mowing		285	
Printing & publishing		50	
Lease		900	
Miscellaneous		34	
Total Sanitation	8,870	8,830	40
TOTAL PUBLIC WORKS	14,870	13,302	1,568
RECREATION AND CULTURE:			
Library:			
Wages		275	
Travel		119	
TOTAL RECREATION & CULTURE	450	394	56
CAPITAL OUTLAY	-	-	-
DEBT SERVICE			
Principal		1,547	
Interest		285	
TOTAL DEBT SERVICE	-	1,832	(1,832)
TOTAL EXPENDITURES	\$ 90,378	\$ 86,690	\$ 5,520

Goodar Township  
Fire Fund  
Statement of Revenues and Other Financing Sources, Expenditures and  
Changes in Fund Balance - Budget and Actual  
Year Ended March 31, 2006

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property Tax	\$ 30,772	\$ 32,214	\$ 1,442
Federal Grants	-	-	-
State Grants	-	-	-
Charges for services	14,300	8,600	(5,700)
Interest	150	103	(47)
Other revenue	2,000	2,489	489
	<u>47,222</u>	<u>43,406</u>	<u>(3,816)</u>
Total Revenues			
EXPENDITURES			
Public Safety			
Fire Department	26,487	26,369	118
	<u>16,000</u>	<u>-</u>	<u>16,000</u>
Capital Outlay			
Debt Service			
Principal	-	12,451	-
Interest	-	3,642	-
Total Debt Service	-	16,093	(16,093)
	<u>42,487</u>	<u>42,462</u>	<u>25</u>
Total Expenditures			
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	4,735	944	(3,791)
FUND BALANCE - April 1	34,184	29,812	(4,372)
FUND BALANCE - March 31	\$ <u>38,919</u>	\$ <u>30,756</u>	\$ <u>(8,163)</u>

Goodar Township  
Statement of Changes in Assets and Liabilities  
All Agency Funds  
March 31, 2006

Current Tax Collection Fund				
	Balance April 1, 2005	Additions	Deductions	Balance March 31, 2006
<b>Assets</b>				
Cash	\$ 55,155	\$ 679,941	\$ 678,579	\$ 56,517
<b>Liabilities</b>				
Due to other funds	\$ 55,155	\$ 60,292	\$ 58,936	\$ 56,511
Due to county	-	269,611	269,611	-
Due to schools	-	342,850	342,850	-
Due to library	-	5,389	5,389	-
Refunds	-	1,799	1,793	6
Total liabilities	\$ 55,155	\$ 679,941	\$ 678,579	\$ 56,517